

F

ZONING COMMISSION
CASE NO. 05-37
EXHIBIT NO. 7

ZONING COMMISSION
District of Columbia
CASE NO.05-37
EXHIBIT NO.7

BOLAN SMART ASSOCIATES, INC.

900 19TH STREET, NW, SUITE 600, WASHINGTON, DC 20006 • (202) 371-1333 • FAX (202) 371-1334

November 2005

**RE: Capitol Place, Square 752, Washington, DC
Economic Impact Overview**

Bolan Smart Associates has been asked to provide a brief overview of the magnitude of economic importance to the District of Columbia of constructing the proposed \$165 million mixed-use development at 2nd Second and H Street's NE. Not only does this new development represent a highly positive economic use to the District of Columbia – including some 470 residents and 200 jobs – the project is a vital part of repositioning the gateway to H Street, enhancing the new development potential and value for the entire surrounding neighborhood.

Based on evaluating a 100% completed project, our findings are summarized below.

1. **Direct Annual District Tax Revenue:** The principal direct tax revenues to the District of Columbia resulting from the completion of this project – calculated in \$2005 – total approximately \$6.50 million per year. The primary components, as summarized in Table 1, are estimated to be comprised of:

- 1) \$1.65 million per year in real estate taxes (compared with \$0.18 million in real estate taxes as currently assessed);
- 2) \$1.24 million in (non-office or resident related) sales taxes attributable to \$15.0 million in annual on-site taxable retail sales derived from 50,000 rentable square feet of retail space. (See Table 2);
- 3) \$0.04 million in private office operations related direct taxes comprised of corporate taxes and user fees (15,000 rentable square feet). (See Table 3);
- 4) \$0.03 million in parking tax revenue from a 94 space commercial parking component;
- 5) \$0.04 million per year in employment related sales tax revenues, attributable to \$0.5 million in annual taxable sales (\$40 to \$60 per week in retail expenditures per employee). (See Tables 2 and 3);

- 6) \$2.63 million per year in new DC resident income taxes derived from the development of 305 residential condominiums. (See Tables 4 and 5);
- 7) \$0.40 million per year in new DC resident retail sales tax revenues, attributable to \$5.37 million in DC based taxable sales. (See Tables 4 and 5);
- 8) \$0.23 million in new DC resident related use taxes and fees (residential building operation's, resident DMV fees, utility and telecommunications fees, etc.). (See Tables 4 and 5); and
- 9) \$0.27 million in recurring residential condominium resale transfer and deed recordation taxes assuming a normal 7% rate of annual property turnovers (not including possible refinancing related recordation fees). (See Table 4).

2. **Additional Project Related DC Residents:** Per a broad-based District goal, the planned construction of 305 residential living units will result in accommodations for approximately 470 residents. By creating an additional supply of new multi-family units at this location, not only will new residents currently living outside of the District be attracted to relocate, but those existing DC residents that choose to relocate will free up needed inventory for other prospective DC residents.

3. **Employment and Economic Activity Benefits:** There is a range of employment benefits which accrue from the completion of a mixed-use development at the subject property. As summarized on Table 1, a total of 202 full time equivalent jobs are estimated to be located at Capitol Place, including 63 office jobs, over 130 retail related jobs, and a number of project support jobs, responsible for some \$9.5 million in annual District based payroll. Assuming that District residents hold 30% of the direct office jobs and 35% of the retail jobs, totaling over 65 DC resident jobs, the annual direct payroll going to District residents is over \$2.8 million. Adding a 25% economic multiplier to the District resident employment indicates a total District resident annual income base directly dependent on the Capitol Place job related activity of \$3.5 million (and over \$0.25 million in annual District income tax receipts not directly related to project resident households).

4. **Neighborhood Enhancement:** Given the significance of the location and nature of the proposed investment relative to the existing land uses, the degree of positive impact on neighborhood conditions, community vibrancy and associated tax revenues is substantial. This general enhancement is supplemented by the inclusion of specific off-site public space and streetscape improvements encompassing both the 2nd Street underpass / H Street overpass area and the street front treatment south of G Street. (Not included in the fiscal impact analysis is the magnitude of financial support that Capitol Place will also be contributing to the newly created Capitol Hill Business Improvement District.)
5. **One-time Construction Related Benefits:** The combination of transfer and mortgage recordation fees associated with the proposed land sale for development, coupled with development processing fees and permits, could generate well in excess of \$4.0 million of direct District of Columbia tax revenues consequent from the initial development effort. In addition, more than 295 direct annual construction jobs are estimated to be created as part of a 24-month, \$80 million base building construction budget. The economic multipliers directly benefiting the District associated with this size of construction expenditure, including the purchase of over \$45 million of construction materials, will obviously be very substantial.
6. **Provision of a Mix of Housing for DC Residents:** Per another District goal, the planned construction of 34 moderate income units will provide needed homes for a range of households that are currently under housed or otherwise priced out of the marketplace.

Table 1 - Combined Land Uses - Square 752 (Capitol Place)
ECONOMIC IMPACT SUMMARY - \$2005

Direct Annual District Tax Revenues

				Net District Tax Revenue
1)	Real Estate Tax see Tables 2-5	retail office resid condominiums moderate priced condo total	<i>taxable value</i> \$13,750,000 \$4,500,000 \$137,489,425 \$5,035,855 \$160,775,280	<i>tax value per sf</i> \$275 \$300 \$512 \$152 <i>RE tax</i> \$254,375 \$83,250 \$1,264,903 \$46,330 <i>total</i> \$1,648,858
2)	Retail Space Direct Tax (non real estate) see Table 2	general retail restaurant total	<i>gross DC taxes</i> \$891,388 \$348,134 \$1,239,522	<i>net DC retail related tax</i> 100.0% 100.0% <i>DC related tax</i> \$891,388 \$348,134 \$1,239,522
3)	Private Sector Office Direct Tax (100% of occupancy) see Table 3		<i>gross DC taxes</i> \$43,592	<i>net DC related tax</i> 100.0% \$43,592 <i>DC parking tax</i> \$43,592
4)	Parking Tax see Table 2,3	retail office	<i>taxable revenues</i> \$233,600 \$45,360 \$278,960	<i>DC parking tax</i> \$28,032 \$5,443 \$33,475
5)	Employee Related Sales Tax Revenue see Table 2-3	retail employees office	\$278,918 \$199,005 \$477,923	\$22,313 \$15,920 \$38,234 <i>DC income tax</i> \$38,234 \$38,234
6)	DC Resident Income Tax see Tables 4-5	resid condominiums moderate priced condo total	\$2,817,213 \$101,326 \$2,918,539	100.0% 100.0% <i>net DC income tax</i> \$2,535,492 \$91,194 \$2,626,685
7)	DC Resident Retail Expenditures see Tables 4-5	resid condominiums moderate priced condo total	<i>total potential taxable sales</i> \$14,627,811 \$545,249 \$15,173,060	<i>other capture</i> 35.0% 45.0% <i>DC sales tax</i> \$383,980 \$18,402 \$402,382
8)	Other DC Resident Related Fees see Tables 4-5	resid condominiums moderate priced condo total		\$195,037 \$8,179 \$203,216
9)	Recurring Condo Resale Transfer Fees see Table 4-5		<i>annual unit turnover</i> 7.0%	\$269,702
		Total Direct Annual DC Tax Revenue	\$6,505,666	\$6,505,666
10)	Total Direct Annual Tax Revenue By Use see Tables 2-5	retail office resid condominiums moderate priced condo Total Direct Annual DC Tax Revenue	<i>gross DC taxes</i> \$1,544,243 \$148,205 \$4,638,070 \$175,148 \$6,505,666	<i>net DC taxes</i> 100.0% 100.0% 100.0% 100.0% \$6,505,666

One-time District Revenue

Property Transfer Tax, Deed Recordation Taxes and Development Fees	\$4,000,000+
First-time Homebuyer DC Income Tax Credit	not considered
Construction Related Sales Tax	not considered

		<i>total residents</i>	<i>net DC residents</i>
Additional Project Related Residents see Tables 4-5	resid condominiums moderate priced condo total	417 52 468	417 52 468

		<i>DC jobs</i>	<i>DC residents</i>
Direct Project Full Time Employment (FTE jobs) see Tables 2-3	Retail Office Parking Residential (one job / 80 units)	131 63 3 4	46 19 1 1
	Total Permanent FTE Jobs	202	67
	Temporary Construction FTE Jobs (a)	296	104
	Total FTE Jobs	498	171

Indirect Employment, Economic and Tax Multipliers not considered

(a) Construction employment: \$80,000,000 construction cost x 40% direct labor divided by \$54,000 average annual income, equaling 593 person years divided by 2.0 years for project completion, realizing 296 construction full time equivalent jobs.

Table 2 - Retail
Square 752 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) General Retail	40,000 nsf
2) Restaurant/entertain	<u>10,000</u> nsf
3) Total Retail	50,000 nsf
4) Parking	80 spaces
5)	0 spaces
	80 spaces

Direct Project Full Time Employment (a)

350 sf per retail job
<u>131</u> retail jobs
30 parking space / job
<u>3</u> parking jobs
134 total jobs

Real Estate Tax

- 6) General Retail Real Estate Value
- 7) Restaurant Real Estate Value
- 8) Parking (included above)
- 9) Real Estate Value
- 10) Real Estate Tax Revenue
- 11) **Total Real Estate Tax Revenue**

General Retail Direct Tax Revenues

- 12) On-site Taxable Retail Sales (adjusted for 8% vacancy)
- 13) DC Average Applicable Sales Tax
- 14) Sales Tax Net of On-Site Residents or Office Tenants
- 16) DC Corporate Tax
- 17) Business Personal Property
- 18) Business Personal Property Tax
- 19) Other Operating Taxes and Fees (b)
- 20) Total Retail Related Taxes
- 21) **Net DC General Retail Related Tax Capture**

Restaurant / Entertainment Direct Tax Revenues

- 22) On-site Taxable Retail Sales (adjusted for 8% vacancy)
- 23) DC Average Applicable Sales Tax
- 24) Sales Tax Net of On-Site Residents or Office Tenants
- 25) DC Corporate Tax
- 26) Business Personal Property (adjusted for 8% vacancy)
- 27) Business Personal Property Tax
- 28) Other Operating Taxes and Fees (b)
- 29) Total General Retail Related Taxes
- 30) **Net DC Restaurant Related Tax Capture**

Parking

- 31) Parking Income (discounted for retail patrons)
- 32)
- 33) **DC Parking Revenue Tax**

Employee Related Sales Tax Revenue

- 34) FTE Employee Retail Expenditures Subject to Sales Tax
- 35) **Employee Related Sales Tax**

Total Direct Annual Tax Revenue

- 36)

Building / Parking	
one sf	total sf
\$275.00	\$11,000,000
\$275.00	\$2,750,000
	NA
100.00% of assessment	\$275.00
1.85% commercial tax rate	\$5.09
	<u>\$254,375</u>
	\$5.09
	<u>\$254,375</u>
one sf	total sf
\$350 per sf	\$322.00
5.75%	<u>\$18.52</u>
92.0% not on-site consumers	\$17.04
9.975% on 10% profit on gross	<u>\$3.21</u>
	\$128,478
\$45.00 FF&E per sf	<u>\$45.00</u>
\$3.40 per \$100 assessed value	\$1.53
\$0.55 per sf	<u>\$0.51</u>
	\$20,240
	<u>\$22.28</u>
	\$22.28
100.0% net DC sales	<u>\$22.28</u>
	\$891,388
one sf	total sf
\$375 per sf	\$345.00
9.0% net 1% convention center	<u>\$31.05</u>
92.0% not on-site consumers	\$28.57
9.975% on 10% profit on gross	<u>\$3.44</u>
	\$34,414
\$75.00 FF&E per sf	<u>\$69.00</u>
\$3.40 per \$100 assessed value	\$2.35
\$0.50 per sf	<u>\$0.46</u>
	\$4,600
	<u>\$34.81</u>
	\$34.81
100.0% net new DC sales	<u>\$34.81</u>
	\$348,134
one space	total spaces
\$8.00 per space per day	
\$2,920 per space per year	<u>\$2,920</u>
12.0% of gross revenue	\$350
one sf	total sf
\$40.00 per FTE per week	<u>\$5.58</u>
8.0% mostly meals	\$0.45
gross	\$30.88
net	<u>\$30.88</u>
	\$1,544,243
	\$1,544,243

Notes:

- (a) FTE is full time equivalent employee, assumed at 40 hours per week.
- (b) Operations purchases, utility and telecommunications fees, other business license fees and charges.

Table 3 - Office
Square 752 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) General Office	15,000 nsf
2) Retail (see retail)	0 nsf
3) Total Building Area	15,000 nsf
4) Parking	14 spaces
5)	

Direct Project Full Time Employment (a)

225 sf per office job
63 office jobs
30 parking space / parking job
0 parking jobs
64 total jobs

Real Estate Tax

6) General Office Real Estate Value (including land)	
7) Retail Real Estate Value	
8) Parking (included above)	
9) Real Estate Value	
10) Real Estate Tax Revenue	
11) Total Real Estate Tax Revenue	

Private Sector Office Direct Tax

12) Taxable Gross Revenues (adjusted for 5% vacancy)	
13) DC Corporate Tax	
14) Business Personal Property (adjusted for 5% vacancy)	
15) Business Personal Property Tax	
16) Other Operating Taxes and Fees (b)	
17) Total General Office Related Taxes	
18) Net DC Private Office Tax Capture	

Parking

19) Parking Income	
20)	
21) DC Parking Revenue Tax	

Employee Related Sales Tax Revenue

22) FTE Employee Retail Expenditures Subject to Sales Tax	
23) Employee Related Sales Tax	

Total Direct Annual Tax Revenue

24)

Building / Parking		
	one sf	total sf
100.00% of assessment	\$300.00	\$4,500,000
1.85% commercial tax rate	\$5.55	\$83,250
	\$5.55	\$83,250
	one sf	total sf
\$100,000 per employee	\$422.22	\$6,333,333
9.975% on 5% profit on gross	\$2.11	\$31,588
\$2,050 per employee	\$8.66	\$129,833
\$3.40 per \$100 assessed value	\$0.29	\$4,414
\$0.55 per sf	\$0.51	\$7,590
	\$2.91	\$43,592
100.0% net DC revenues	\$2.91	\$43,592
	one space	total spaces
\$14.00 per space per work day		
\$3,360 per space per year	\$3,360	\$45,360
12.0% of gross revenue	\$403	\$5,443
	one sf	total sf
\$60.00 per FTE per week	\$13.27	\$199,005
8.0% mostly meals	\$1.06	\$15,920
gross	\$9.88	\$148,205
net	\$9.88	\$148,205

Notes:

(a) FTE is full time equivalent employee, assumed at 40 hours per week.

(b) Operations purchases, utility and telecommunications fees, other business license fees and charges.

Table 4 - Residential Condominiums
Square 752 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) Condominiums	305 units
2) Market Component	89.0%
3) Market Units	271 units
4) Average Size	990 sf (net saleable area)
5) Total Saleable SF	268,736 sf

Project Related DC Residents

1.6 persons / unit
<u>261</u> occupied units
417 total residents
<u>100.0%</u> net residents
417 DC residents

Real Estate Tax

- 6) Condominium Real Estate Value (including parking)
- 7) DC Homestead Exemption
- 8) Seniors Exemption
- 9) Taxable Residential Real Estate Value
- 10) Parking (included above)
- 11) Real Estate Value
- 12) Residential Real Estate Tax (as DC proposed)
- 13) **Total Real Estate Tax Revenue**

Residential Direct Tax Revenues

- 14) Average Unit Value
- 15) Required Gross HH Income
- 16) Taxable Income
- 17) Initial DC Income Tax
- 18) Additional DC Income Tax
- 19) Total Potential DC Income Taxes
- 20) Income Taxes Adjusted for Average Occupancy
- 21) Potential DC Residents
- 22) **Income Tax Revenue Adjusted for Resident Status**
- 23) Resident Retail Expenditures Subject to Sales Tax
- 24) District of Columbia Resident Sales Capture
- 25) **DC Average Applicable Sales Tax (a)**
- 26) **Other Resident Related Use Taxes and Fees (b)**
- 27) Personal Property Tax (c)
- 28) **Total Residential Direct Tax Revenues**

Recurring Property Resale Transfer Fees

- 29) Annual Re-sales Related Taxes (2.5% combined fees)
- 30) Annual Refinance Deed Recordation Taxes

Parking (included with unit purchase)

Total Direct Annual Tax Revenue

31)

Building / Parking		
	one sf	total sf
\$38,000 per unit	\$550.00	\$147,804,525
considered unlikely	(\$38.38)	(\$10,315,100)
		\$0
	\$511.62	\$137,489,425
		NA
100.0% of assessment	\$511.62	\$137,489,425
0.92% residential tax rate	\$4.71	\$1,264,902.71
	\$4.71	\$1,264,903
Residential Direct Tax Revenues		
	one unit	total units
\$525.00 per sf	\$519,750	\$141,086,138
30.0% multiple of unit value	\$155,925	\$42,325,841
80.0% of gross	\$124,740	\$33,860,673
\$30,000 of initial taxable income	\$2,000	\$542,900
9.3% DC tax rate over initial	<u>\$8,811</u>	<u>\$2,391,697</u>
	\$10,811	\$2,934,597
96.0% occupancy	\$10,378	\$2,817,213
90.0% of residents pay taxes	<u>\$9,341</u>	<u>\$2,535,492</u>
	\$9,341	\$2,535,492
45.0% of taxable income	\$53,888	\$14,627,811
35.0% of expenditures	<u>\$18,861</u>	<u>\$5,119,734</u>
7.5% blend of categories	\$1,415	\$383,980
0.6% of taxable income	\$719	\$195,037
		not considered
		\$3,114,509
7.0% annual unit turnover	\$0.96	\$258,658
		not calculated
Parking (included with unit purchase)		
	gross	\$17.26
	net	\$17.26
		\$4,638,070

Notes:

- (a) Based on blend of sales tax on general goods and services and DC retained sales tax on restaurant related sales.
- (b) Building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.
- (c) Fixtures, etc. included in real property value; residents assumed not to exceed \$50,000 personal property exemption.

Table 5 - Moderately Priced Condominiums
Square 752 - Washington, DC
ANNUAL DIRECT DC TAX REVENUE NET OF MULTIPLIERS - \$2005

Project Description

1) Condominiums	305 units
2) Moderate Priced Component	11.0% (15% of additional FAR)
3) Moderate Priced Units	34 units
4) Average Size	990 sf (net saleable area)
5) Total Saleable SF	33,215 sf

Project Related DC Residents

1.6 persons / unit
<u>32</u> occupied units
52 total residents
<u>100.0%</u> net residents
52 DC residents

Real Estate Tax

- 6) Condominium Real Estate Value (including parking)
- 7) DC Homestead Exemption
- 8) Seniors Exemption
- 9) Taxable Residential Real Estate Value
- 10) Parking (included above)
- 11) Real Estate Value
- 12) Residential Real Estate Tax (as DC proposed)
- 13) **Total Real Estate Tax Revenue**

Residential Direct Tax Revenues

- 14) Average Unit Value
- 15) Required Gross HH Income
- 16) Taxable Income
- 17) Initial DC Income Tax
- 18) Additional DC Income Tax
- 19) Total Potential DC Income Taxes
- 20) Income Taxes Adjusted for Average Occupancy
- 21) Potential DC Residents
- 22) **Income Tax Revenue Adjusted for Resident Status**
- 23) Resident Retail Expenditures Subject to Sales Tax
- 24) District of Columbia Resident Sales Capture
- 25) **DC Average Applicable Sales Tax (a)**
- 26) **Other Resident Related Use Taxes and Fees (b)**
- 27) Personal Property Tax (c)
- 28) **Total Residential Direct Tax Revenues**

Recurring Property Resale Transfer Fees

- 29) Annual Re-sales Related Taxes (2.5% combined fees)
- 30) Annual Refinance Deed Recordation Taxes

Parking (included with unit purchase)

Total Direct Annual Tax Revenue

31)

Building / Parking		
	one sf	total sf
\$38,000 per unit	\$190.00	\$6,310,755
considered unlikely	(\$38.38)	(\$1,274,900)
	<u>\$0</u>	<u>\$0</u>
100.00% of assessment	\$151.62	\$5,035,855
0.92% residential tax rate	\$1.39	\$46,329.87
	<u>\$1.39</u>	<u>\$46,330</u>
 one unit		
\$190.00 per sf	\$188,100	\$6,310,755
30.0% multiple of unit value	\$56,430	\$1,893,227
75.0% of gross	\$42,323	\$1,419,920
\$30,000 of initial taxable income	\$2,000	\$67,100
9.3% DC tax rate over initial	<u>\$1.146</u>	<u>\$38,448</u>
	<u>\$3,146</u>	<u>\$105,548</u>
96.0% occupancy	\$3,020	\$101,326
90.0% of residents pay taxes	<u>\$2,718</u>	<u>\$91,194</u>
	<u>\$2,718</u>	<u>\$91,194</u>
40.0% of taxable income	\$16,252	\$545,249
45.0% of expenditures	<u>\$7,313</u>	<u>\$245,362</u>
7.5% blend of categories	\$548	\$18,402
0.6% of taxable income	\$244	\$8,179
	<u>not considered</u>	
	\$3,510	\$117,774
7.0% annual unit turnover	\$0.33	\$11,044
	<u>not calculated</u>	
	gross	\$5.27
	net	\$5.27
	\$175,148	

Notes:

- (a) Based on blend of sales tax on general goods and services and DC retained sales tax on restaurant related sales.
- (b) Building operations purchases, resident DMV fees, utility and telecommunications fees, other licensing fees and charges.
- (c) Fixtures, etc. included in real property value; residents assumed not to exceed \$50,000 personal property exemption.